

26th March 2013

SBIN BEAR PUT RATIO SPREAD

Strategy Rationale:

SBIN has broken the neckline of the bearish head and shoulders pattern which has a conservative target of 1800 on the lower side. It has two run-away gaps in the range of 2000-1975 and 1900-1860, hence after the downside breakout it is expected to fill these gaps. On the upside 2082 remains a strong resistance now and till that is not taken off then downside probability is quite high. There are three consecutive swing supports in the range of 1770-1850, so we don't expect it to break that range on the lower side. Hence, the broader range will be 1800-2000, so we recommend initiating Bear put ration spread.

Strategy Details

The strategy consists of buying 1 lot of SBIN 2000 April Put option at Rs.56.50, selling 1 lot of SBIN 1900 April Put option at Rs. 26.00 and selling 1 lot of SBIN 1800 April Put option at Rs. 10.50. The premium outflow in this strategy would be 20. Initial outflow is estimated to be Rs.2500 at the time of initiation of strategy.

Profit and Loss Matrix:

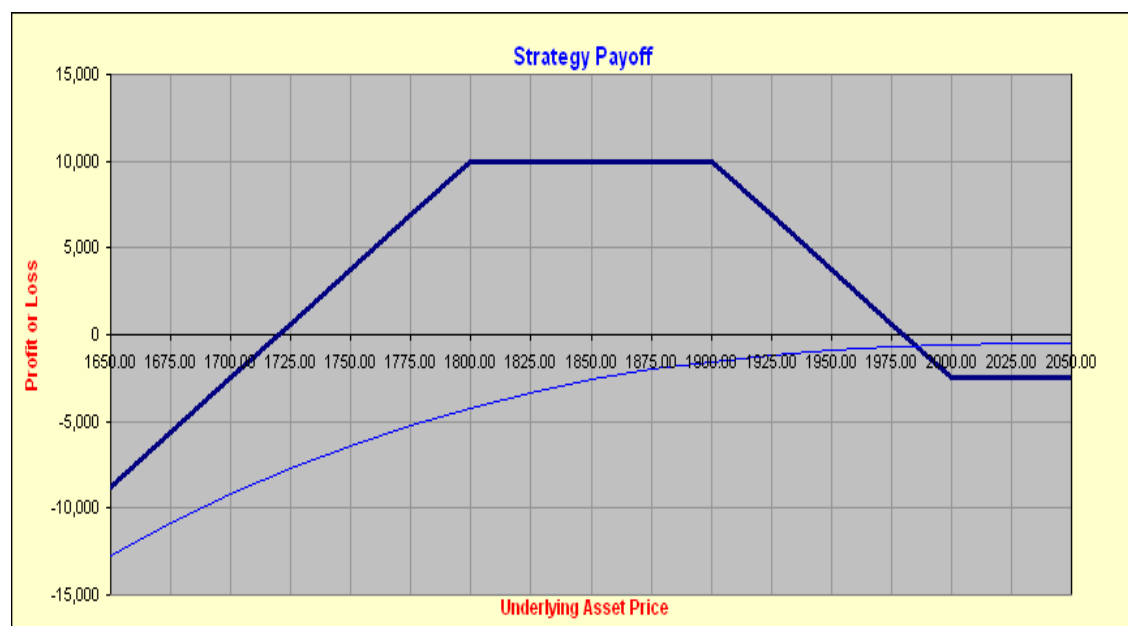
Maximum loss of Rs.2500, if SBIN closes above 2000 at the time of expiry and maximum profit of Rs.10000, if SBIN closes between 1800 and 1900 at the time of expiry. However, one needs to hedge the position if SBIN falls below 1720 by selling 1 lot in futures.

Leveraging Cost

The SPAN margin of complete strategy would be around Rs.38, 250 at the time of initiation and may vary depending upon the volatility in the market.

Strategy:

- Buy 1 lot of SBIN April. 2000 Put around 56.50
- Sell 1 lot of SBIN April. 1900 Put around 26.00
- Sell 1 lot of SBIN April. 1800 Put around 10.50



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